

# COMMITTEE ON GOVERNMENT REFORM



## NEWS RELEASE

### **For Immediate Release**

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### **Contact:**

Dana Johnson (McHugh)  
(202) 225-4611  
Karen Lightfoot (Waxman)  
(202) 225-5051  
David Marin (Tom Davis)  
(202) 225-5074  
Richard Boykin (D. Davis)  
(202) 225-5006

## **McHugh, Waxman, T. Davis, D. Davis Introduce Bipartisan Postal Pension Reform Legislation *Bill Would Make Short-term Rate Increases Unnecessary***

**Washington, D.C.** – Members of the House Government Reform Committee today introduced critical legislation to correct a retirement benefit formula in current law that would force the U.S. Postal Service to unnecessarily increase postage rates. By modernizing the way the agency's retirement benefits are calculated, the lawmakers will prevent a \$71 billion overpayment by the U.S. Postal Service to the Civil Service Retirement System (CSRS). And by reducing the Postal Service's annual obligation to CSRS, the next postal rate hike could be postponed by at least three years.

The legislation was introduced by Rep. John McHugh (R-NY); Ranking Member Henry Waxman (D-CA); Committee Chairman Tom Davis (R-VA); and Rep. Danny Davis (D-IL).

"The Postal Service and the mailing industry have been hit hard by the 9/11 and Anthrax attacks. If we are to sustain this \$900 billion, nine million-job industry, Congress needs to do everything in its power to ensure a modicum of rate stability," **Rep. McHugh said**. "Without this change, postage rates will unnecessarily climb this year. We owe it to every single postal customer to fix this retirement benefit formula so they're not forced to overpay."

"This bill will strengthen the Postal Service, lower the federal debt, and protect postal consumers," **Rep. Waxman said**. "This is a very positive bipartisan start for our Committee."

"Tackling this issue early in the 108<sup>th</sup> Congress, in a bipartisan fashion, demonstrates our commitment to getting the Postal Service back on solid financial footing and protecting American postal consumers from unnecessary rate increases that would have significant impacts on household budgets and the nation's economy," **Committee Chairman Tom Davis said**.

"As the Ranking Member of the Civil Service and Agency Reorganization Subcommittee, I am pleased we have joined together in a bipartisan manner to change the way Postal Service retirement payments are paid," **Rep. Danny Davis said**. "I look forward to working with my colleagues to further refine the bill we have introduced today."

### **Background: The Problem**

- The Office of Personnel Management (OPM) has determined that the Postal Service, based on payments required by existing law, ***will overfund its obligations to the Civil Service Retirement System (CSRS, the pre-1984 retirement system) by well over \$70 billion dollars.***
- In order to correct this problem, OPM proposed legislation modeling the Postal Service's payments to CSRS after its payments to the current Federal Employee Retirement System (FERS). This would result in a reduction in the Postal Service's annual obligation to CSRS by \$2.9 billion, ***allowing the Postal Service to delay its next rate increase beyond 2004 to at least 2006.***
- ***Without legislative change, the American postal consumer will experience unnecessary rate increases,*** unfairly subsidizing the CSRS obligations of other federal agencies.

### **The Solution**

- The legislation introduced today will prevent the \$71 billion overpayment. Sens. Susan Collins, Tom Carper, and George Voinovich are introducing similar legislation.
- The McHugh/Waxman/Davis/Davis bill differs from the original OPM language in that the Postal Service **would be required** to work with the Department of the Treasury to apply the funds saved to pay down its debt to the Treasury.
- After 2005, the bill requires the Postal Service and OPM to calculate the difference between the cost to fund CSRS under the bill and the cost under the old law. These funds would be held in escrow until Congress acts on a Postal Service proposal outlining what should be done with the funds.
- Additional mandates, in the form of a sense of Congress, would direct that some portion of saved funds be used:
  - to hold postage rates unchanged until at least 2006;
  - to fund retiree health benefits; and
  - to not pay for executive bonuses.
- Delaying a rate increase will help all Americans, saving them money on bill payments, personal or business correspondence and holiday and birthday gift parcels. It will also ensure stable employment for the millions of Americans employed by the \$900 billion mailing industry.

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